

AFRICA RISK CONSULTING

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Ethiopia Summary 18 October 2021

Prime minister Abiy Ahmed (2018-present) is appointed for his first full term as prime minister amid increasing domestic pressure of inflation and unemployment. The northern Tigray conflict has attracted criticism from the United Nations Security Council (UNSC) and United States (US), with the expulsion of several UN diplomats increasing tensions. US-based news outlet CNN investigation accuses national air carrier Ethiopian Airlines of transporting weapons to Eritrea during the start of the Tigray conflict in November 2020, corroborated by documentary evidence and eyewitness accounts, putting the national air carrier at risk of losing significant business with US-based Boeing Co. and placing further pressure on the government to end the civil conflict. Mines and petroleum minister Takele Uma has awarded Norway-based gold mining company Akobo Minerals a large-scale mining licence as bulk samples from the latest extraction tests highlight an expected increase in revenue production. The Ethiopian government aims to expand the mineral sector under a national development plan. Ethiopia's third wave of Covid-19 infections begins to recede as vaccine rollout continues slowly throughout the country.

Abiy re-appointed as PM amid internal and external pressures ...

Abiy Ahmed (2018-present) was confirmed as **Ethiopia's** prime minister for a five-year term on 4 October during a ceremony held in the capital, **Addis Ababa**. This follows the landslide election that Abiy's **Prosperity Party** won in June, securing 410 of the 436 parliamentary seats (*see ARC Briefing Ethiopia July 2021*).¹ Although opposition parties have criticised and partially boycotted the voting process, several international observers have remarked that the election was better than others seen in the country.² Close attention will be paid in the coming weeks and months to determine whether the sweeping political and economic reforms that Abiy initially made upon his election as prime minister are being undone and threatening Ethiopia's progress as one of **Africa's** leading countries.

Voting for several seats in parliament was delayed due to security and logistical issues. The **Tigray** region did not take part in the election, as it is currently under control of regional forces opposed to the Addis Ababa government. Elections in the rest of the country scheduled for June finally went ahead on 21 June, resulting in a dominant victory for the Prosperity Party. Opposition parties **Ezema** and the **National Movement of Amhara (NaMA)** won fewer than 10 seats each. An additional 47 constituencies voted on 30 September. While results for this vote are yet to be announced, they will not influence the overall result.³

Abiy's re-election comes amid growing internal and external pressure in Ethiopia. Economic issues such as inflation and unemployment are fuelling domestic discontent while international actors are placing increased pressure on the Abiy administration over the conflict in the Tigray region. Inflation continues to rise as annual food inflation reached 37.6% in August, up from 32% in July – the highest inflation rate since December 2012.⁴ Inflation is said to be fuelled with another issue that Abiy needs to handle – the situation in the Tigray region.⁵ **National Bank of Ethiopia** vice-governor **Fikadu Digafe** said of the Tigrayan conflict's contribution to inflation:

¹ Reuters, 4 Oct 2021

² ISS, 5 Jul 2021

³ Reuters, 4 Oct 2021

⁴ Bloomberg, 3 Sep 2021

⁵ Addis Fortune, 4 Oct 2021

“The area which is affected by conflict is not producing. You also have some people displaced who have to be supported and that puts pressure on the market as you have to buy things. So directly or indirectly it has an impact.”⁶

While the Tigrayan conflict is increasing inflation, it has also resulted in external pressure from the **United Nations Security Council (UNSC)**, which has criticised the Abiy administration for starving its own people by hindering the **United Nations (UN)** from deploying adequate humanitarian access.⁷ The conflict in Tigray was on the UNSC’s agenda twice in the week of 9 October and for the tenth time in ten months.⁸ Additionally, the **United States (US)** has increased its criticism of the conflict and promised to impose sanctions. However, this has been delayed due to the unpopularity of sanctions amongst UNSC nations. The Ethiopian government has reacted against the UN by expelling on 30 September seven UN officials whom it has accused of meddling in the country’s internal affairs. Such accusations of meddling include diverting aid and communication equipment to the **Tigray People’s Liberation Front (TPLF)**.⁹

The Ethiopian government is likely to face increasing international pressure given the severity of the crisis in Tigray. Whilst unilateral sanctions are not the first choice for representatives of the UNSC, without Ethiopian participation, it will become increasingly difficult to mitigate against the atrocities occurring in Tigray. Given the vast margin by which the Prosperity Party won the election, it is unclear how the domestic populace will react if economic and political problems continue. Abiy’s administration is likely to continue to focus on correcting the issue of inflation, but this will be difficult without addressing the issue in Tigray.

Exposé highlights national air carrier’s complicity in civil conflict ...

In an investigative report released on 6 October, US-based news outlet **CNN** claims Ethiopia’s national airline carrier, **Ethiopian Airlines**, smuggled arms aboard its commercial carriers. CNN says the arms were transported to **Eritrea** to aid in the civil war taking place in the Tigray region (see above). The exposé will place a stronger spotlight on the role the Ethiopian government is playing in the civil conflict whilst simultaneously highlighting the complicity of the Eritrean government. Such complicity violates the **Chicago Convention** on international civil aviation and may hinder the airline’s operations. Additionally, the administration of US President **Joseph Biden** (2021-present) has declared it is prepared to impose sanctions on those parties who are prolonging the conflict in Tigray, potentially leading to further regional and international isolation.¹⁰

CNN’s report draws on several different sources ranging from cargo documents and manifests to eyewitness accounts and photographic evidence. According to the report, the alleged transportation took place in November 2020, around the beginning of the Tigrayan civil conflict.¹¹ The transportation of arms took place between Addis Ababa and the capital of Eritrea, **Asmara**, as well as the coastal city of **Massawa**. Among the evidence presented by CNN are waybills that provide detailed information on the shipment in order for it to be tracked. These show shipments to have held equipment including guns and ammunition, as well as specially armoured vehicles. A former Ethiopian Airlines cargo worker explained:

“The cars were Toyota pickups which have a stand for snipers. I got a call from the managing director late at night informing me to handle the cargo. Soldiers came at 5 am to start loading two big trucks loaded with weapons and the pickups.”¹²

⁶ Bloomberg, 3 Sep 2021

⁷ The East African, 9 Oct 2021

⁸ The East African, 9 Oct 2021

⁹ Reuters, 1 Oct 2021

¹⁰ CNN, 7 Oct 2021

¹¹ Bloomberg, 6 Oct 2021

¹² eTurbo News, 6 Oct 2021

Discovered waybills have provided further evidence to corroborate CNN's exposé. On at least six occasions, between 9 November and 28 November, Ethiopian Airlines billed the ministry of defence for tens of thousands of dollars for military equipment to be shipped to Eritrea.

CNN contacted Ethiopian Airlines for comment on the accusations of weapons smuggling. The airline's initial response to the allegations was a statement posted on its **Twitter** account, strongly refuting "*baseless and unfounded allegations*". However, a more recent statement takes a noticeable step back from its denial by stating through group corporate communications manager **Ali Mohammed**:¹³

*"To the best of its knowledge and its records, it has not transported any war armament in any of its routes by any of its aircraft."*¹⁴

The implications are vast for both Ethiopian Airlines and the government of Ethiopia. The Chicago Convention sets out specific conduct for commercial carriers by forbidding the smuggling of arms for military use on civil aircrafts. If found to be in contravention of the convention, Ethiopian Airlines faces losing its key membership of the **Star Alliance** network comprised of 26 global airlines.¹⁵ Additionally, potential US sanctions may threaten a Memorandum of Understanding (MoU) recently signed with US-based **Boeing Co.** in expanding aviation training, development and manufacturing in Ethiopia.¹⁶

Regional and international pressure on the Ethiopian government regarding its involvement in the Tigrayan conflict is likely to increase following the investigative report. With the recent expulsion of the seven UN diplomats (see above), there will be greater scrutiny and pressure on the government to put an end to the civil conflict, which has already resulted in thousands of deaths and large-scale displacement. It is difficult to conceive a positive outcome in the coming months for any party involved, a bleak outlook considering the strategic and diplomatic importance of Ethiopia for the region and continent.

Government awards mining licence as test samples increase yield expectations

Mines and petroleum minister **Takele Uma** awarded **Norway**-based gold mining company **Akobo Minerals** and its wholly owned Ethiopia-based subsidiary, **Etno Mining**, a large-scale mining licence on 30 September.¹⁷ The awarding of the licence, one of seven granted by the Ethiopian government, will help the country to boost its mineral sector, which aims to substantially increase foreign exchange earnings by increasing the production of mineral inputs for the manufacturing sector to promote import substitution. The extension of mining licences to Akobo Minerals follows a ten-year exploration period.

The mining licence will allow Akobo Minerals' mine development activities to begin. Akobo Minerals expects that there will be limited capital expenditure and very low production cost, resulting in an exceptionally high margin operation.¹⁸ Akobo Minerals' latest report signals a higher-than-expected deposit of gold in the **Segele** and **Jura** mines in the south-west of Ethiopia. Although the Segele and Jura mines will be the first gold mines established in the south-west, there has been positive news from more recent test work conducted on the bulk samples from the area. Gold recovery is expected to be 97.2%, up from a previous estimation of 90%, according to a 27 September study report.¹⁹

In order to expedite the construction and operation of the mine, Akobo Minerals intends to investigate alternatives for building and operations, such as looking at options of contract mining and the possibility of outsourcing. A key example is the amendment of the contract it has signed with

¹³ France24, 8 Oct 2021

¹⁴ eTurbo News, 6 Oct 2021

¹⁵ Al Jazeera, 6 Oct 2021

¹⁶ Bloomberg, 6 Oct 2021

¹⁷ Akobo Minerals website, 1 Oct 2021

¹⁸ Global Mining Review, 27 Sep 2021

¹⁹ Akobo Minerals website, 12 Oct 2021

MIDROC Geo/Exploration Services PLC to include an extra drilling rig to make three in total, to secure faster development.²⁰

The Ethiopian government is looking to expand the mineral sector, which has previously contributed very little to the country's GDP. This is encapsulated in its economic development plan under the theme "**Ethiopia: An African Beacon of Prosperity**", which was launched in December 2020.²¹ The plan aims to revamp the quality and quantity of natural resources' production and increase the mineral sector's contribution to over 10% of GDP by 2030. The foreign exchange earned through export and import substitution of minerals is targeted to reach \$17 billion by 2030, up from \$265m in 2020.²²

The extension of mineral licences to foreign-owned firms such as Akobo Minerals is a positive step for Ethiopia's economic direction. Not only is expansion of the mineral sector a constructive economic focus, but this will also allow the government to complement other industries through import substitution derived from sourced minerals and increase the supply of much needed foreign exchange. The geographical focus in the south-western part of the country means that the current civil conflict in Tigray is unlikely to affect investor confidence and operational risk.

Third Covid wave recedes amid slow vaccine rollout

Ethiopia's "*third wave*" of **Covid-19** infections is beginning to recede. Daily confirmed cases as of 16 October reached 394, compared to 1,669 on 16 September.²³ Similarly, the seven-day average of 672 on 16 October is also well below the seven-day average of 1,183 on 16 September. However, although the third wave is receding, the virus is not totally under control.²⁴ The effects of the third wave are still being felt as daily Covid-19-related deaths as of 16 October reached 28.²⁵ Total Covid-19 cases have reached 358,739 in Ethiopia's population of 118 million, with a total of 6,197 Covid-19-related deaths. Restrictions to curb the spread of the virus will remain in place for now in an attempt to fight the back end of the third wave.

As of 16 October, the health ministry had administered a total of 3.96 million doses of Covid-19 vaccine. An estimated 0.8% of the population has received both doses, while 1.8% has received a single dose.²⁶ Ethiopia has used several different vaccines ranging from the **British-Swedish** manufactured **AstraZeneca**, US-manufactured **Johnson & Johnson** as well as securing vaccines from the **African Vaccine Acquisition Trust (AVAT)**.²⁷ As of 8 October, the **World Bank** approved operations to support vaccine rollouts in 61 different countries, including Ethiopia. Operations to ensure the success of vaccine rollouts will amount to \$5.8 billion.²⁸

²⁰ Global Mining Review, 11 Oct 2021

²¹ Ethiopian Monitor, 11 Jun 2020

²² Ethiopian Monitor, 11 Jun 2020

²³ WorldoMeter, 16 Oct 2021

²⁴ WHO, 16 Oct 2021

²⁵ WorldoMeter, 16 Oct 2021

²⁶ Our World in Data, 16 Oct 2021

²⁷ [Africa CDC](#), 6 Sep 2021

²⁸ World Bank, 8 Oct 2021

Planner

11-15 Nov 2021 **Addis Ababa (Ethiopia)** Ethiopia International Trade Fair;

11-15 Nov 2021 **Addis Ababa (Ethiopia)** Agrifood & Pack Expo;

Chronology

17 Oct 2021 **Somalia Regional State (Ethiopia)** *Volcano Discovery*. A moderate magnitude 4.3 earthquake is registered in the Somalia Regional State at a 13-km depth;

16 Oct 2021 **Addis Ababa (Ethiopia)** *The Guardian*. The **United Kingdom (UK)** has pledged £29m (\$40m) of humanitarian aid to those affected in the **Tigray** conflict following the visit of **UK Special Envoy Nick Dyer** to the **Tigray** capital of **Mekelle**;

15 Oct 2021 **Addis Ababa (Ethiopia)** *The South African*. **Ethiopian Airlines** has partnered with **Airlink** in an agreement to share flight routes to expand the continent's largest airline;

12 Oct 2021 **Addis Ababa (Ethiopia)** *Air101*. **Ethiopian Airlines** and **Sabre Corporation** renew their long-term strategic partnership for a further seven years with a minimum commitment of \$110m;

11 Oct 2021 **Cairo (Egypt)** *Ahram Online*. **Egypt's** irrigation minister, **Mohamed Abdel-Ati**, states that “*the situation with the **Grand Ethiopian Renaissance Dam [GERD]** is now all but frozen*”, referring to negotiations with **Ethiopia** over the polarising rules for filling and operating the GERD;

11 Oct 2021 **Cairo (Egypt)** *Nyamilepedia*. **South Sudan's** President **Salva Kiir Mayardit** has accused **Ethiopia's** prime minister, **Abiy Ahmed**, of failing to honour his promises on the issue of the **Grand Ethiopian Renaissance Dam (GERD)** between his country and that of downstream nations **South Sudan**, **Sudan** and **Egypt**;

7 Oct 2021 **Addis Ababa (Ethiopia)** *The East African*. Prime minister **Abiy Ahmed** appoints three opposition leaders to new cabinet to the portfolios of education; innovation and technology and sports;

6 Oct 2021 **Washington D.C. (United States)** *CNN*. **Facebook** whistle-blower **Frances Haugen's** testimony before the Senate subcommittee on Consumer Protection references a series of links between the activity of Facebook and deadly violence occurring in the **Tigray** region;

1 Oct 2021 **Addis Ababa (Ethiopia)** *Wall Street Journal*. **United Nations (UN)** warns of an escalating humanitarian crisis in the **Tigray** region as aid is being blocked from reaching those who most need it, with official estimates at 79% of those suffering from severe malnutrition;

30 Sep 2021 **Addis Ababa (Ethiopia)** *Al Jazeera*. **Ethiopia** expels seven **United Nations (UN)** officials who are accused of meddling in domestic affairs and become officially considered “*persona non grata*”;

30 Sep 2021 **Addis Ababa (Ethiopia)** *AA*. **Ethiopia** holds second round of parliamentary and regional elections in several regions after missing out on initial elections due to a host of logistical, security and administrative issues;

28 Sep 2021 **Addis Ababa (Ethiopia)** *Gulf News*. **Ethiopia's** health ministry signs an MoU with **Response Plus Holdings** in a bid to boost employment opportunities for Ethiopian nationals;

27 Sep 2021 **Addis Ababa (Ethiopia)** *Alarabiya News*. **Ethiopia** suspends work of its embassy in **Egypt** due to “*financial and economic reason*” amidst heightened tensions between the nations over the **Grand Ethiopian Renaissance Dame (GERD)** project;

26 Sep 2021 **Addis Ababa (Ethiopia)** *Al Jazeera*. **Sudan's** military claims to have repelled an attempted incursion by **Ethiopian** forces into a disputed border area between the two countries;

25 Sep 2021 **Addis Ababa (Ethiopia)** *Lara News*. **Ethiopian Airlines** has signed an eight-year operating lease agreement with **Netherlands**-based aircraft leasing company **TrueNoord** for a new Dash 8-400 aircraft;

25 Sep 2021 **Oromia (Ethiopia)** *Nation*. **Ethiopian Human Rights Commission (EHRC)** states that an armed group has killed 29 civilians in the **Oromia** region;

24 Sep 2021 **Addis Ababa (Ethiopia)** *Reuters*. Ratings agency **S&P Global** downgrades **Ethiopia's** sovereign rating to CCC+ from B- amidst heightened political instability and delays to debt restructuring.

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